Institutions and Economic Growth in Africa

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Abstract

Institutional shortcomings contribute to sub-Saharan Africa's dismal economic performance. These shortcomings are government or "nonmarket" failures, the corollary of market failures in the private sector. Governments fail by sins of commission and omission. Regarding the former, African governments often try to do too much, and they do many of those things poorly. Government's errors of omission have received less attention, which is unfortunate, for African states need to do more than refrain from inappropriate activities. They need to engage in parallel efforts to improve their behavior toward citizens and create a market-augmenting institutional framework. Regrettably, it is a daunting task to break the mold of public institutions that have hardened around personalized power, arbitrary and unaccountable decisionmaking, widespread dishonesty, and repression of dissent.

Three institutional factors stand out as critical to improved public institutions in sub-Saharan Africa: interest groups, the state's representative and bureaucratic organs, and the political leadership. Interest groups with a stake against economic reform have been an impediment in many countries. State intervention in the economy has created economic rents, which officials use to maintain a patronage network of friends and followers and thus to remain in power. Raw economic interests alone do not determine what public policies are executed, however. The way the state's representative and bureaucratic institutions channel those interests is essential. Yet, at least in sub-Sahran Africa, these institutions usually lack capacity for decisive action. Part of the solution is more public involvement in decisionmaking, the region's democratic experiments are too often centralized and top-down.

Finally, leadership is a critical factor in sustained economic reform. Political leaders always enjoy a measure of freedom in choosing policies, and in much of Africa their maneuvering room may be particularly wide due to the absence of effective countervailing political forces. Leadership is also critical in fighting corruption, which has been a major issue in sub-Saharan Africa. The region has been poorly led in most cases, with a few hopeful exceptions in recent years. Until institutions grow more fit through a combination of wider interest group representation, more democratic political and bureaucratic processes, and enhanced leadership, they will continue to thwart economic reforms in sub-Saharan Africa.

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Introduction

Sub-Saharan Africa (SSA) stands out as the world's poorest, most politically fragile region. With the backing of multilateral organizations and bilateral donors, African governments have attempted in recent years to improve by liberalizing and restructuring their economic and political systems. Through privatization of public activities, deregulation of national industries, and freeing of international trade, they have agreed to limit their reach. They also have promised to allow greater political competition and more open public debate. Yet, the economic payoff has been disappointing.

Economic reforms are matters of public policy-laws or rules that express collective goals and provide rewards and punishment to attain them. But policies are no more effective than the institutions that underlie them. Institutions, defined as stable, recurring patterns of behavior, help determine what policies are chosen and how they are executed.[1] Where institutions are weak or ineffective, policy is likely to be the same. A public effort, say, to combat political corruption will not get far without an effective ombudsman, inspector general, or other office to carry it out. The effectiveness of such offices, in turn, depends on factors that include the caliber of the personnel involved, the resources at their disposal, and the level of popular demand for their services. Too often government organizations in Africa are just that-*organizations* that do not command the respect, loyalty, and dedication that characterize institutions in the full sense of the term.

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[1]. The term institution has two overlapping meanings in social sciences and thus results in some confusion (Goldsmith, 1992). In management and organization theory, an institution usually refers to a role or organization; in economics and sociology, an institution is often a rule or convention. There are major divergences between these two definitions, one is role-orienyed and the other rule-oriented. The first type of institution resides in deliberately constructed human groupings and has boundaries and a mission; the second is diffused among a multitude of people and lacks a boundary or mission. Roles have concrete reality; rules are conceptions. But the meanings coincide in part because no organization can survive without rules and rules often need an organization to enforce them. In either form, institutions have two important properties. They shape the way people act and they persist over time. This paper focuses on institutions in the organizational sense.

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Public policies stand or fall according to their institutional support. Yet, our understanding of why institutions are established and function properly is far less thorough than our understanding why they do not, although success is often a better teacher than failure. While much of Africa's recent history is marred by interest groups, political parties, elected officials, and public bureaucracies that accomplish little, there are exceptions. Business associations, technocratic groups, and other organizations have been an impetus for reform in some countries, though these constructive experiences have not been well documented.

Separating policy from institutions is, unfortunately, not simple in practice, for the two concepts overlay each other. While institutions are a constraint on policy, policy constrains institutions. Government often aims to alter institutions as a first step to reach other objectives. The drawback is that institutional changes usually lag policy changes, which can foil any endeavor by officials to move to new common goals. There is particular irony in SSA, where recent economic reforms mean to diminish the role of government even as they thrust new demands on government institutions.

Explaining Sustained Reform

This paper focuses two goals: to review the state of knowledge about how institutions have stifled change in African economic policy and to gather quantitative indicators of institutional quality, such as might exist. It begins by reviewing recent economic performance in SSA and discusses how much optimism is warranted by that performance. A brief overview of trends in SSA economic policy follows, with a discussion of the new emphasis on the institutional underpinnings of policy reform. Next, the paper addresses the organized interests that exist outside the official structure of government and how they affect progress toward reform. The paper then considers how the formal pattern of state organization influences lasting policy change. Finally, the paper explores the role of leadership.

Economic reform is a disputable political generality, with little or no operational meaning in itself. It consists in practice of specific programs defined in detail in statutes and regulations. Williamson (1993) speaks of the Ten Commandments of reform. The list, slightly modified, reads as follows: Remove import quotas, cut tariffs, reduce taxes, adjust interest rates, curb public borrowing, reduce subsidies, allow in multinational corporations, divest public enterprises, retrench the civil service, and rewrite regulations on business. Success or failure in one of these areas does not necessarily mean the same result in the other nine areas. To understand why, we obviously need to be specific about which reforms we are considering.

Africa is the graveyard of many well-intended reforms. But perhaps a more fruitful way to look at this issue of sustained reform is to turn it on its head and to try to interpret the modest improvements that have occurred. The odds are stacked against meaningful change in Africa, yet some countries are taking positive steps. The International Monetary Fund (1997a), for example, reports that the pace of structural reform picked up in SSA in 1986-1995 compared with the previous decade.

To help explain implementation (or the lack of it), we can turn to three connected facets of public institutions: interest groups, the state's representative and bureaucratic organs, and the political leadership. An interest group is an association of like-minded people who band together to press one cause or another, often to promote their own material well-being. It is important to consider constituencies for or against economic reform, and their potential for derailing policy changes. In Africa, the most important groups have historically been distinguished by blood-ties and similar loyalties. Modern interest groups that cut across ethnic and regional divisions, such as trade associations or labor unions, have not usually played a central role in pressing public policy positions.

Interests alone do not determine what public policies are executed. The way the state's representative and bureaucratic organs channel those interests is also important. The state is among the more sweeping terms in social science. It refers to a territorially based, organized capacity for collective action, backed up, as Weber (1947) famously noted, by a claim to use legitimate force to ensure compliance. Of note about SSA states are recent steps toward open communications and competitive elections. These changes imply new ground rules for policy makers, who must accommodate more constituencies in their decisions.

Finally, leadership is a critical factor in sustained economic reform. Political leaders always have a measure of latitude in choosing policies, and in much of Africa their maneuvering room may be particularly wide due to the absence of effective countervailing political forces (Gulhati 1990). What leaders elect to do, whose demands they decide to respond to, is thereby important.

Reasons for Hope?

Sub-Saharan Africa is "on the move," reports Evangelos Calamitsis (1997: 201), director of the International Monetary Fund's African Department. The World Bank's vice presidents for Africa, Callisto Madavo and Jean-Louis Sarbib (1997), make the same claim in the title of a recent article. After years of economic stagnation, output is growing at an accelerating pace in the region. According to a recent survey by the World Economic Forum and Harvard Institute for International Development (1998), business confidence on the continent is climbing. African managers report that important aspects of the business environment have improved. And will improve even further in the next several years.

Averages can mask wide individual deviations, however, and Africa's economic performance is no exception. Five African countries (Equatorial Guinea, Lesotho, Uganda, Mozambique, and Mauritius) are among the 25 fastest growing countries recorded by the World Bank (1997b) for 1990-1995. However, four others (Angola, Cameroon, Sierra Leone, and Rwanda) are among the 25 slowest growing countries for the same period. Several other probable slow growers (including Liberia, Somalia, and Zaire) were left out of the bank's data set. Sweeping statements about so diverse a set of national experiences are bound to be inapplicable in some instances.

While it is imperative to avoid jumping to conclusions about any one African country based on what happened in another, the region as a whole has suffered what Easterly and Levine (1995) aptly call a "growth tragedy." No comparable misfortune has befallen any other large part of the developing world. The official statistics are somber. Table 1 displays some of the more eye-catching data. The base year for comparison is 1980, chosen because it roughly marks the start of the contemporary period of experimentation with market-oriented development policies. The final year is 1995 (or the most recent year available). How much progress has SSA made during the intervening years? Africans who were poor on average have grown even poorer. Physical infrastructure has been neglected. Savings are down, as is investment. Exports have dropped in value. Foreign direct investment (excluding oil-rich Nigeria) is flat. Foreign debt is greater than ever. Governments rely on foreign aid more than before.

TABLE 1

Recent Economic Performance Indicators in SSA

	1980	1995
Gross domestic product (billion $)	$293	$297
GDP per capita (1987 prices)	$634	$507[a]
Gross domestic saving (percent of GDP)	27%	16%
Gross domestic investment (percent of GDP)	23%	19%
Merchandise exports (billion $)	$77	$72

Total external debt (billion $)	$84	$226
Net foreign aid (billion $, 1994 prices)	$13.2	$16.8
Net foreign aid as percent of GDP	2.6%	6.1%
Net foreign direct investment (million current $)	-$54	$1,630
Net FDI excluding Nigeria (million current $)	$685	$718
1,000 kilometers of road per 1 million population.	3.3	2.4[b]
[a]1994 [b]1990		

Sources: World Bank (1997a, 1997b); United Nations Development Program (1997); Development Assistance Committee (1997).

The data are hardly perfect, and informal sectors may have performed better than the measured economies in many places. Furthermore, as mentioned above, some countries are outperforming the regional aggregate numbers, particularly since the mid-1990s. So, even if we assume the reported figures are accurate, any blanket description of SSA does not apply to all countries all the time. Still, Table 1 depicts a continent in broad torpor. A few years of improved economic performance in a few countries do not nullify the bleak overall impression.

Among the several efforts to capture economic performance in summary form, Table 2 presents two of them. The first was developed for the already mentioned World Economic Forum/HIID study of international competitiveness. It scored several African countries on six criteria, and ranked them from more to less competitive. While skepticism is in order when reducing something so complex as competitiveness to a single number, the exercise is useful in highlighting how few Africans live in countries that can compete effectively in world markets.

The Heritage Foundation developed the second ranking system in Table 2. It tries to rate countries on a list of ten factors, that are averaged to compute an economic freedom score. This measure can be criticized as impressionistic, culturally biased, and ideologically motivated. Still, the Heritage Foundation's low ratings for Africa underscore the point that Western-style economic systems are rare on the continent.

TABLE 2

POPULATION LIVING UNDER DIFFERENT ECONOMIC REGIME TYPES IN SSA
(Million people)

Competitiveness Index (1998)		Index of Economic Freedom (1998)	
High-ranking	48	Mostly free	73.
Middle- ranking	206	Mostly unfree	393
Low-ranking	160	Repressed	117
Not ranked[a]	186	Not rated	17

[a]Includes several collapsed states in West and Central Africa, most of which probably would have received a low ranking had they been surveyed.

Definitions: The **Competitiveness Index** is calculated on the average of six indices: openness, government, finance, labor, infrastructure, and institutions, which are in turn subdivided into criteria that include survey and hard data. The **Index of Economic Freedom** is an effort to gauge the degree of national economic openness based on how countries perform on a list of ten economic factors. The factors are trade policy, taxation policy, government consumption, monetary policy, capital flows and foreign investment, banking policy, wage and price controls, property rights, the level of regulation, and black market activity. Countries are graded on a scale of one to five for each item. The grades are averaged to compute the total rating for each country.
Source: World Economic Forum (1998); Johnson, Holmes, and Kirkpatrick (1998).

Past performance raises questions about the robustness of the region's economic recovery. While policy changes have brightened the outlook (though stronger world commodity prices are probably a more important factor), prudent observers are concerned that things easily may go awry again. A major reason for skepticism lies in African public institutions, which may frustrate well-intended policies. Even when African governments chart a particular economic course (assuming for the moment that they actually make such choices rather than muddle through), they may lack the institutional wherewithal to stay on that course.

Government Failure

Africa's generally weak showing raises the issue of government (or "nonmarket") failure-public policies and institutions that produce a net social cost or loss (Wolf, 1988: 37). Governments fail in two ways that are commonly lumped together. Type 1 failures refer to activties that government should not undertake; Type 2 failures refer to activities that government should but does not undertake (or the government does them in such a substandard way that the effect is similar). The remedies to these two variants of government failure are distinct. The first requires restricting the state, the second requires strengthening it. As politically difficult as governments find the first remedy, exiting from inappropriate areas is often easier compared with developing skill in doing the right things.

Type 1 failures (the state overstepping its bounds) get top billing in what Williamson (1993) calls the "Washington consensus" on economic strategy. According to the Washington consensus, the leading economic challenge facing SSA (and other regions, too) is that the state has grown too big and intervened too deeply in economic decisions, displacing the private sector from areas of pursuit where it could be more active. Excessive or unfair taxes, trade barriers, and other counterproductive policies explain most of Africa's shortfalls compared with other developing areas (Sachs, 1996)-though climate, demography, and other factors are important also (Sachs, 1997). Until recently, the Washington consensus had downplayed Type 2 failures (the state neglecting necessary tasks), but now devoting attention to these shortcomings (World Bank, 1997c).

Since defects of government are manmade, human action can cure them. According to the naïve variant of the Washington consensus, the antidote is easy to prescribe: reduce the scale of government, increase the role of markets, and integrate the domestic economy with the global marketplace. The resulting strategy has become known, somewhat loosely, as structural adjustment.[2] International donors usually help design and pay for structural adjustment in SSA. Of course, the private sector's new ascendancy is hardly confined to SSA. For nearly 20 years, a

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[2].

Terminology in the domain of policy reform can be confusing. Strictly speaking, the term "structural adjustment" covers policies to liberalize foreign and domestic trade to increase an economy's efficiency. It is distinct from "stabilization," which refers to efforts to overcome a fiscal and monetary crisis by curbing consumption. Structural adjustment policies thus attempt to stimulate economic supply while stabilization policies seek to restrain demand. The former policies are associated with the World Bank, the latter with the International Monetary Fund. Notwithstanding the distinctions, the two sets of reforms follow a common logic of trying to eliminate distortions and disequilibria in the economy. In fact, stabilization can be seen as the first step in a longer process of adjustment and structural change. Following common parlance, adjustment is understood here to include stablilization measures, and is treated as a synonym for liberalizing economic reforms that aim to make national economies more open and responsive to market forces.

worldwide shift in power from government to the marketplace has been revolutionizing most societies (Yergin and Stanislau,1998).

Reforming African Economies

Market-oriented policies came to prominence in Africa with the publication of the World Bank's (1981) "Berg Report," as this official document is usually called, referring to its principal author. At the time, the international financial institutions were largely indifferent to Type 2 failures. While battling the Type 1 failures of government excess, they took for granted government's positive economic functions. Ironically, though, the austerity measures associated with the neoliberal, orthodox economic strategy were apt to weaken the capacity of the state to be constructive (admittedly while also weakening the state's capacity for destructive behavior). Kahler (1990) labels this contradiction the "orthodox paradox." As North (1997: 8) expresses the same idea, "You can't do with the state but you can't do without it either." It may seem absurd to the casual observer, but after a period of seeking less government, many countries have found they need more government-though often for different tasks (Grindle 1997).

At first, Africa did not take kindly to market-friendly reforms, for the restructuring measures spelled political trouble for the governments that carried them out. Still, most of SSA recognized that continuing with the status quo in the 1980s was economically untenable. Due to their economic imbalances, the insolvent countries had to face a day of reckoning sometime. Not to change policies at all would have led to further downward spiraling of production and consumption.

Accordingly, African leaders found foreign aid an attractive way both to buy time and ease the pain of economic reconfiguration, but perhaps they also saw something to blame for the continuation of distress if policy changes did not go according to plan. They may have seen the conditions of a structural adjustment loan as the last chance to spare themselves from having to make even more radical change (Gordon, 1996). By 1993, 38 African countries (out of 48 in the region) had agreed to at least one structural adjustment program with either the IMF or the World Bank; most had agreed to several (Kraaij 1994). Countries were rewarded with additional funds when they adopted the "right" policies. Thes funds could cushion the worst effects of foreign exchange shortages and indebtedness while exposing national economies to the free play of market forces. Part of the price, however, was continued or deepened dependence on development assistance (see Table 1)., and the erosion of national autonomy. As a condition of receiving ajustment loans, borrowing governments had to agree to dozens of provisos covering the full range of economic policies.

The international donors came under contradictory criticism for their role in liberalization. On the one hand, they stood accused of blackmailing SSA and of disregarding African sovereignty in key matters of public policy. The neoliberal policy recipe is unvarying-excise bureaucracy, liberate entrepreneurs, and allow the market to operate unhindered. When economies stagnated anyway, the high profile of the donors made it easy for the World bank and the IMF to become the scapegoat. In 1996, for example, President Mugabe denounced the World Bank as a “dictator” after it demanded a reduction in Zimbabwe’s budget deficit. On the other hand, critics charged donors with exercising too much leniency with their aid, for not wringing out more concessions even if that meant a government would fall. Would Mobutu’s “kleptocratic” regime in Zaire have lasted 32 years without external connivance? Whichever of these two lines of criticism comes closer to the truth, donor involvement in economic reform has colored SSA’s policy-making process without always improving the results.

Today, most African governments officially concede that their statist approaches to postcolonial development were a mistake. At the same time, these governments frequently fail to implement the spirit (and the letter, too) of liberalization. The vacillating public attitude of Kenya’s President Moi is emblematic. In March 1993, he rejected an IMF plan on the basis that it was cruel and unrealistic. One month later, economic reality forced Moi to reverse his position and agree to the plan. In June 1997, the IMF cut off lending to Kenya after Moi refused to take aggressive steps to combat corruption. Once again, his initial reaction was defiance, swiftly followed by a more accommodating line.

The extent of policy slippage may seem remarkable in the face of heavy international pressure to push ahead with liberal economic reform. In a recent World Bank (1994) study of 26 SSA adjustment programs, only six participating countries were classified as having “significantly improved” their policies. Among the small number of supposed improving countries, the bank deemed that Ghana alone had an “adequate” policy environment, that is, one in accord with the bank's market-oriented precepts. (Even so, Ghana has managed only a 1.1 percent annual per capita growth rate since its first structural adjustment agreement in 1983.) The other five countries were judged fair or poor in policies the bank’s claims that they had realized large strides in reforming their economic practices. In matters of economic policy, deeds obviously speak louder than words. When it comes to relaxing controls on business and cutting back the public sector, African practice is often less than proclaimed.

Why is it that adjustment, which usually takes a major effort just to gain approval, routinely faces reversals? Lack of political will is often invoked, but it is more a *deus ex machina* than an adequate explanation of failed reform. When deconstructed, political will means simply that politicians do what they want to do. The observation is tautological. The difficulty in many African countries today is not just that the authorities fail to put their hearts into economic reforms (though they may not) but also that the authorities are unable to put their shoulders into reform, because of weaknesses in political and administrative capacity (Bräutigam, 1996).

Controversies over Economic Reform

To some extent the obstructionism may be due to genuine disagreements about the gains of trade and unfettered markets. An often bitter dispute goes on over economic reform, though sometimes differences in semantics make issues more contentious than they need to be. The skeptical position is often called the heterodox view of development policy (to distinguish it from the Washington orthodoxy). While it is too diverse to qualify as a school of thought, the heterodox view is prone to ascribe more of Africa's economic setbacks to market failures (significant deviations from the utopian world of perfect competition) than to overgrown government. It sees a greater role for the state in leading the way to development, in the manner of Germany and Japan in an earlier day or Taiwan and South Korea now. Among international organizations, UNICEF and the United Nations Economic Commission on Africa look at matters through heterodox lenses. So do many African governments. A cynical interpretation, however, is that the latter see the world this way because it is a convenient way to justify their hold on power and to excuse their mistakes.

Markets fail whenever the "invisible hand" of competition produces effects that are harmful or unwanted, as opposed to the mutually satisfactory situation described by neoclassical economics. Market failures are far from rare in Africa. Heterodox critics make a good point when they say that obstacles in the region's economic structure (including geographical isolation, harsh climates, endemic disease, inadequate natural resources, shortages of human capital, lack of economic diversification) impede market mechanisms even when government gets out of the way. They are also right to note that Africa's systems of production and distribution are ill-prepared to cope with external shocks (rising oil prices, falling commodity prices, drought, and the like). From the heterodox perspective, therefore, the "withering away of the state" is, by itself, not going to allow resources to flow to their most productive uses in Africa.[3] The underlying structural barriers must be tackled as well, and that may require positive action by public authorities.

Still, few heterodox critics of the Washington consensus would deny that African states often try to do too much, and that they do many of those things poorly. It makes sense for the state to get out of such jobs, so it can concentrate on the things only it can do or that it can do best. The hard part, of course, is in agreeing on where the economic borders of the state should be drawn. As is often acknowledged, few examples of *laissez-faire* marketplaces exist in the world, mostly various degrees of mixed economies with different arrangements between the state and the private sector.

What arrangements between state and society work best to harness society's energy for productive purposes? Regarding the Type 1 failures where the state does the wrong things, direct production of private goods and services is widely recognized as an area government better leave alone. African governments have historically attempted to occupy the “commanding heights” of the economy. Their state-owned enterprises usually give poor service and make losses, draining the public treasury. No one has anything good to say about pervasive, cumbersome regulations, either. African governments have a tradition of trying to micro-manage the actions of private business. When bureaucrats have too many controls, it creates bottlenecks, breeds corruption, and wastes resources. To fight the twin problems of inefficient public sector companies and overregulation, privatization and regulatory relief are called for. These are relatively non-controversial policy reforms, at least until the discussion turns specific and begins to talk about which companies to sell and which regulations to eliminate.

How has Africa done in correcting the Type 1 error of government excess? If the thrust of reform is to shrink the state, there has been some progress. As Table 3 shows, government expenditure in Africa (including North Africa) was a slightly smaller share of the economy in 1995 than it had been in 1980. Partly, this must be due to over 2,000 public enterprises being privatized¾another major Type 1 reform. Many of the largest public enterprises, however, have not been put on the block. The government wage bill dropped marginally, though this probably reflects salary compression, and does not necessarily mean greater efficiency in the public sector. Neoliberalism aims to put government finances on a firmer footing, which should be reflected in diminishing budget deficits. The record shows deficits actually rising between the two years. We

[3].While the heterodox view stresses defective markets, that does not mean it ignores government failures and the importance of institutions. To the contrary, it faults the Washington orthodoxy for being ahistorical and unconcerned with how the absence of market-supporting rules and practices limits capitalist development in SSA (Stein 1994).

also see that taxes on trade fell slightly, suggesting minimally more openness to the global economy.

Not surprisingly, global money managers are unimpressed with SSA's ability to put its public finances in order. The region's average credit rating dropped over the interval. Based on these observations, it is fair to say SSA has, at best, had mixed results in correcting Type 1 errors.

TABLE 3

SELECTED GOVERNMENT PERFORMANCE INDICATORS IN AFRICA

	1980	1996
Total Government Expenditure (% GDP)	29.7%	28.0% [b]
Government deficit (% GDP)	-2.2%	-2.9%
Gov't. expenditure: wages & salaries (% total)	18.5%	17.6%
No. of public enterprises	6,069[a]	4,058[b]
Taxes on trade (% imports & exports)	9.0%	8.3%
Average Credit Rating (0 is worst, 100 is best)	26.2	21.1[c]

[a]prior to 1990 [b]1995 [c]1997

Note: Some figures include North Africa, and others exclude some SSA countries.
Sources: African Development Bank (1997); World Bank (1997a); Gwartney, Lawson, and Block (1996), *Institutional Investor* (various years).

With respect to the Type 2 errors of what the state should be doing but is not, quantification is more of a challenge. We shall give it a try, however. Three sets of activities to complement the market are usually considered important. In roughly increasing order of controversy they are: to provide certain basic public goods, to weave a social safety net, and to steer the economy in the direction of higher productivity. These are discussed below.

Public Goods

Orthodox and heterodox observers agree that the private sector undersupplies many public goods¾items that are simultaneously available to many people. Government has to step in to fill the void. While markets operate everywhere, they operate best where a competent public administration is in place to enforce contracts, protect property, prevent fraud and collusion, punish wrongdoers, and so on¾a point discussed at length by Adam Smith two centuries ago (Goldsmith 1995b).[4] Important public goods beyond the provision of a stable legal environment for business include: a system for mass education, a network for public health, a physical infrastructure for commercial activity, and a means to protect the natural environment.

Government involvement in these areas does not mean the state must furnish the services itself, of course. There is wide latitude for contracting and for using incentives to get the private sector to participate in supplying public goods. Nevertheless, government still has to take the lead in overseeing the venture. Public goods cannot usually be supplied without any loss to someone. Therefore, coercive power must sometimes be used to force people to comply with measures that serve the larger society, including making them pay taxes to defray the cost of supplying public goods (Lindblom 1977: 78). Because of incompetence, dishonesty, and political bias, the state in most of SSA does an incomplete job of fostering a legal framework and basic services needed for market relationships to flourish (Sandbrook 1986).

Two approaches have been used to put numbers on the problem of the supply of public goods like law and order. One is subjective, based on the opinions of external experts. Table 4 shows the results of three such subjective evaluations, comparing SSA with other developing regions. While the quality of these indexes is questionable, and they aggregate many diverse factors, the picture that emerges for Africa is of an administration that performs below the average level of the developing world. There is less reliable bureaucracy, more personal insecurity.

Researchers at the University of Maryland have tried to come up with a more objective measure of government capacity, and settled on what they call Contract Intensive Money (Clague and others 1997). It is based on the proportion of non-currency money in the money supply. The

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[4].Instituting a proper system of law and order, or what Adam Smith variously referred to as an “exact,” “tolerable,” or “regular” administration of justice, is one of several “duties of the sovereign” he enumerated. Government, Smith argued, is needed for “protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it” (Smith 1776: 651). Decentralized, competitive markets cannot provide this type of security; properly functioning government can. Recent regression analysis supports Smith’s contention that the rule of law (and property rights in particular) is a precondition for economic growth (Goldsmith 1995a; Leblang 1996). Also see Knack and Keefer (1995) and Paulo (1997).

higher the ratio, the greater the confidence in the government's capability. As Table 4 also shows, SSA again comes out near the bottom of the international comparison.

Social Welfare

A more controversial issue is how far the state should go to assure the supply of "merit goods" (things whose consumption is considered intrinsically desirable, such as food and shelter) to society. The market does not spontaneously generate these for everyone. Providing merit

TABLE 4

INDICATORS OF GOVERNMENT CAPACITY
SSA versus other developing regions

	SSA	Latin America & Caribbean	No. Africa & Middle East	Asia &Pacific
Government Quality Index (0 is worst, 100 is best)	31.2	48.7	42.4	45.3
Efficiency of Govt. Structure Index (1980-83) (0 is worst, 10 is best)	5.3	5.9	5.9	5.7
Security Risk Survey (1997) (1 is best, 5 is worst)	2.6	2.4	2.1	2.3
Contract Intensive Money (1969-90) (0 is worst, 1 is best)	.67	.80	.65	.79

Definitions: The numbers are unweighted means. Exact countries vary for each measure. **The Government Quality Index** is based on subindices for economic management, social development, government orientation and citizen participation. The **Efficiency of Government Structure Index** comes from an index developed by Business International's commercial country risk report. The **Security Risk Survey** is from Control Risks Group's annual survey of the security risks facing international businesses. There is a five step score, ranging from insignificant (virtually no politically-motivated violence and a low level of crime) to extreme (conditions verge on civil war). **Contract Intensive Money** is the ratio of non-currency money to the total money supply. This indicator reflects the proportion of transactions in a society that rely on third-party enforcement. In well-governed societies, currency is only used for small transactions; in poorly-governed societies, the opposite is true.

Sources: Mauro (1995); Huther and Shah (1996), Clague and others. (1997), Control Risks Group (1996).

goods regardless of citizens' ability to pay can be an important source of political legitimacy and economic stability, as public decision makers from Classical Greece onward have understood. The ancient city states made regular, free distributions of corn to quell social unrest, and all governments have since taken rough edges off the economic contest by redistributing income through a variety of means. The downside is that such social spending can bust government budgets if left unchecked.

Most SSA governments became overextended in the 1970s, and assumed responsibility for more social programs (particularly food subsidies) than they could carry during the economic downturn that followed. This led to spending cuts under the banner of structural adjustment. The unintended result was to test regimes' popular standing. It also cast the international financial institutions in an unfavorable light. To make liberal reform more palatable in political terms, most plans now try to put on a "human face" with social programs supposed to mitigate the fallout for poor people (Jolly and others 1987).[5]

To the extent the numbers can be trusted, they suggest more success in this area than is often imagined (see Table 5). Even unrepresentative regimes are under heavy pressure to maintain social programs, and few governments Africa seem to have made many net cutbacks in this area. Taking 1980 and 1993 as the beginning and ending years, we see public spending on education and on health reportedly increased as a share of Africa's GNP. Probably as a partial result, people's access to water and health care services went up during the period (or the nearest

TABLE 5

SOCIAL PERFORMANCE IN AFRICA

	1980	1994
Public expenditures on health (share of GNP)	4.7%	5.8%[a]
Public expenditures on education (share of GNP)	1.0%	2.5%[a]
% pop. with access to safe water	34%[b]	47%
% pop. with access to health services	45%[c]	53%[d]
Calories per day as % requirement	99%	[b]97%

[5].There is a vibrant debate over the social cost of free-market reforms in developing countries, which many people assume must be borne mainly at the lower end of the income distribution. This is not proven, however, and often leaves out of the equation the social opportunity cost of not adjusting. Some studies suggest that the well-being of the poor is not harmed by adjustment, and may even be helped as economic impediments are removed (e.g., McPherson and Radelet 1995; Sahn 1996). Also, many reform programs try to preserve targeted help for the poor, so the issue of who bears the social cost of adjustment is still open.

Gross enrollment ratio (% age 6-23)	39%[b]	39%
Human Development Index	.283	.400

[a]1993 [b]1982 [c]1985-87 [d]1990-95

Note: Some figures include North Africa (not Egypt), and others exclude some SSA countries. The **Human Development Index** is based on three indicators of the quality of life: life expectancy, education levels, and average income. The index runs from 0 to 1, with higher numbers representing greater human development. Due to changes in methods, numbers are not strictly comparable between the two years. Source: Sivard (various years), United Nations Development Program (various years).

available years). The proportion of the school-aged population in school stayed the same, though the quality of education may have eroded. Africans can expect to live longer now and they are more likely to be literate, so the UNDP’s controversial Human Development Index (which is based on these factors, plus real income) also rose over the 1980-94 period. While no one should discount the depth of misery on the continent, the trends look less adverse than many people think they are.

Industrial Policy

The most divisive concern about government’s economic role is the third question of whether and to what extent the state should intervene to “get prices wrong”¾that is to subsidize targeted industries as part of a neomercantilist development strategy. According to the neoliberal creed, such efforts to second guess the market are by definition a Type 1 error, an illegitimate extension of government authority into the private sector. Let competitive forces settle which firms or sectors survive and which succumb. The heterodox view disputes this hands-off strategy, pointing out that the fast-growing Pacific Rim countries have usually been led by interventionist governments that pursued active industrial policies. Whether these nations succeeded because of such policies or despite them is the controversy¾though 1997's “Asian flu” financial crisis has plainly tested the plausibility of the former view. Pragmatic, authoritarian East Asian governments supposedly imposed internationally competitive performance standards, and weaned companies from subsidies once they reached that level (Amsden 1992). This supposition looks now to have misjudged the persistence of hidden allotments to favored but incompetent businesses. With investors currently voting their lack of confidence in Asia’s ‘insider capitalism,” pressure is rising for governments there to be more even-handed.

Could SSA governments reach socially desirable outcomes by helping certain firms and ignoring others on purpose? The record of African states serving as stewards of national interests does not inspire confidence. Too often they have acted more like "vampire states," to use Frimpong-Ansah's (1991) colorful designation, less concerned with developing world-class industries than with draining off society's productive resources. Such states seem highly unlikely to use selective incentives in a productive way to foster growth and development.

This is not a universal law, of course, not even in SSA. The two African economic "success stories" of recent years¾Botswana and Mauritius¾each seem to have comparatively honest, developmental states (Good 1992; Meisenhelder 1997). This pair of countries follows policies that are more activist than the neoliberal creed advocates, and less predatory than it expects. Still, Botswana and Mauritius are the exceptions. History makes it reasonable to question how instrumental the majority of SSA states can be when they try to engage in industrial targeting. Even in places such as Korea and Indonesia, subsidies tend to flow to groups with the best connections, not to those with the best business prospects.

As the century turns, economic analysis in SSA (and in other developing areas, too) is thus tending to unify around the advantages of freer markets *and* more effective, focused states. Making an either/or dichotomy of the private sector versus the public sector, although it can be an interesting way to score debating points, is far too crude a way of looking at things when it comes to the direction of public policy. Markets and states are mutually reinforcing. Most development agencies (World Bank 1997c; United Nations 1997) recognize this fact. The mainstream school and its heterodox opponents are apt today to be questioning where to put the emphasis in development strategy, less so basic philosophy.

Focusing on Institutions

Calling the overlapping views about African development needs the convergence of informed opinion would be too strong, for there are dissenting voices (Beckman 1991). Still, concurrence is greater than in the early 1980s, when official Washington seemed to be working under the assumption that "in the beginning, there were markets." Whether many experts were really so naive to take a statement like this literally, they did put more stress on taking down barriers to exchange than on building the institutional prerequisites for effective economic competition. This meant above all price and currency reform. Such reforms could literally be taken care of with a pen stroke, and thus looked comparatively easy to do.

Now we are more alert to the fact that getting markets to work is not simply a matter of freeing prices to obey the law of supply and demand. The institutions to support buying and selling, saving and investment do not come ready-made, and cannot be taken for granted. Liberalizing, say, a financial market, is one thing, but it is quite another thing to set up the equivalent of the U.S. Security and Exchange Commission to make sure investors have accurate information and are protected from financial scams. Moreover, an effective SEC cannot do its job outside a larger institutional framework of reliable police, courts, prisons. These things do not spring forth in a mechanistic or automatic way (White 1990). They evolve within the context of an increasingly sophisticated political system.

The Washington consensus thus by the late 1980s began to pay more attention to so-called governance issues in adjustment and development (World Bank 1989).[6] Market-oriented economic policy, it was determined, was linked to "good government," defined as a pluralistic polity, limited by the rule of law and administered by an impartial, professional bureaucracy. Not only did government's role in the economy need redefining in the so-called Third and (former) Second Worlds, parallel efforts were needed to bring government closer to the public and to improve its behavior toward citizens (Brinkerhoff 1997).

Democratization is in a sense the political face of structural adjustment (Ould-Mey 1995). Liberal economic reforms paved the way for multiparty competition, encouraging dissent by curbing the power of the elite to run the economy in a way to pay off partners and confidants. Through political opposition and participation, the hitherto "silent majority" could be expected to make their leaders answer for mismanaging the economy. This would presumably keep pressure on for more rapid and equitable growth. Greater prosperity, in turn, would close the circle by creating a stronger social base for democracy.

Institutional reforms can be painfully slow to unfold, however. Institutions are strongly influenced by the force of precedent, and existing ways of doing things get frozen in place. They may impede progress. Veblen (1914) coined the phrase "imbecile institutions" to describe organizations and modes of behavior that have outlived their usefulness or, worse, have come to serve irresponsible new purposes different from their initial ones. In particular, he noted the tendency for institutions to turn into shelters for vested interests over time. Such has been the fate of many African public institutions, which were ostensibly set up to provide public goods, but whose hidden, real function (whether by design or by evolution is immaterial) is often to carry

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[6].Governance has special meaning in the development lexicon, covering both civil service reforms and democratization. In the 1960s, developing countries were seen to lack effectively performing governments. Over time, experience taught that improving performance was not a narrowly technical issue of training bureaucrats and writing better rules and laws. To be effective (in the sense of meeting majority demands), government was seen to need the countervailing power of an organized civil society. This led to today's stress on the rule of law, freedom of association, respect human rights, and other dimensions of political liberalism (for example, Canadian International Development Agency 1995; Japan International Cooperation Agency 1995, United Nations Development Program 1997a).

away resources for private use. Agricultural marketing boards are a good example (Bates 1981). Veblen observed that imbecile institutions are tenacious. It is daunting to break the mold of systems, as in much of Africa, that have hardened around personalized power, arbitrary and unaccountable decision-making, widespread dishonesty, and repression of dissent.

The Political Economy of Interest Groups

Political economy (the study of the interaction of political and economic factors) gives a useful account for why "bad" institutions often crowd-out "good" ones. In emphasizing the political logic (not the macroeconomic rationality) of what governments do, political economy also resonates with neoclassical assumptions about government's Type 1 failures. The basic point is that state intervention creates economic rents, which officials use to maintain a patronage network of friends and followers, and thus to remain in power. These rents are abnormally high earnings that accrue to the holder of a government license, quota, or other privilege.

Rent-seeking results, as favored groups lobby or pay bribes to safeguard their artificial privileges. Such activity adds nothing to the stock of goods and services in the short term, and probably reduces it over the long term through a deterrent effect on business. In Africa's often authoritarian systems, the disfavored groups who are not simply ignored can be violently repressed. Public policies frequently have an "urban bias," systematically mistreating groups in the countryside who are apt to have less clout with decision makers. In extreme cases, such as revolutionary Ethiopia, regimes can disregard emerging rural famines, so marginal are the starving groups in the domestic political calculation.[7] Rents are extracted from the rural sector and distributed in the cities, buying off urban opposition with social spending and funding corrupt payments to government insiders. (More will be said about corruption later.)

For SSA governments, a dilemma ensues. The spoils system keeps the polity intact, while it also undermines the capacity of the economy to continue generating rents. To liberalize the economy may eventually snap the spiral of budget deficits and recession, but only by coming between the government and many of its supporters first. At the same time, the sacrifices demanded by the international financial community likely sap the government's power to silence its opponents through repression. A wavering attitude toward reform, a willingness to obstruct stated policies, can be seen as an effort to balance the domestic political equation with foreign aid. Most SSA governments act as if they have made a determination to preserve as much of the

[7].Other states in Africa, notably Botswana, Kenya, and Zimbabwe, have had "silent success" in preventing famines (Drèze and Sen 1990). It is noteworthy that these states often have important pillars of support among rural people.

existing state of affairs as possible, and hence their grip on power, while simultaneously conceding the minimum reform to keep resources coming in from their international creditors.

Winners versus Losers

Since most groups in society do benefit from faster economic growth (Roemer and Gugerty 1997), why do poor states resist market-friendly policies that could boost their growth rates? Bates and Krueger (1993: 2) call this the riddle of "good economics¾bad politics." In trying to solve the riddle, the political economy view reminds us to ask: good and bad for whom? When governments take action (or choose inaction), that policy creates winners and losers, no matter what its broader merits or demerits for society. For some groups, income or profits go up as a consequence; for others, they fall. Liberal economic reform is this way, especially in the short run. The losing groups feel their injuries even if the net social outcome is positive. The losers may try to gain backing from neutral groups by raising inflammatory issues, such as the threat of neocolonialism and the alleged betrayal of national interests by domestic politicians who have sold out to international capital. This may be part of the reason that appearing to surrender to donors can carry a high political price for African governments, higher sometimes than presiding over slow or negative economic growth.

Political economy proposes that potential policy losers tend to mobilize to protect themselves from adverse decisions, especially if the expected cost of doing so is lower than the benefit. If they cannot stop a policy from going against them, the losers will try to stall or cripple the policy as a second line of defense. With economic liberalization, the losing groups typically include merchants and industrialists with access to rationed foreign exchange, and public employees whose salaries depend on deficit spending. Public employees often occupy especially strategic positions from which to disable economic reforms. (We will discuss this issue more later, when we get to questions of the bureaucracy.) The urban poor also may end up net losers (or at least feel like they are) due to cuts in social spending, though falling inflation may help them. Perceptions here are more important than fact. Winners tend to be agricultural producers, for whom the terms of trade often (but not always) improve when controls are removed.

The winner/loser phenomenon sheds light on the fact that some aspects of economic reform seem more sustainable than others. In the developing countries, the greatest headway has been in macroeconomic policy and in agriculture, with mixed progress in deregulation of markets. Reforms of public enterprises and the financial system have been the most intractable (Husain and Ferric 1994: 1). The explanation may lie in whose interests are served by these reforms, and whose are not. As Herbst (1990) points out, the civil service system and parastatal corporations are among the most important sources of political patronage in Africa, and altering these institutions puts key constituents in jeopardy.

Inflation stabilization and trade liberalization make another interesting contrast. Everyone gains from more stable prices, though someone (perhaps organized labor) has to pay for the transition. We can deduce that this feature of anti-inflation reforms simplifies the task of building a coalition of political support. Still, SSA has not had success here. Consumer prices in the region rose twice as fast in 1991-95 as in 1980-85 (Africa Development Bank 1997). Trade reform, by contrast, is more of a zero-sum game, where one group's gain are roughly equal to another group's losses. Lowered tariffs, for example, help anyone who sells imported goods, and hurts anyone who makes goods that compete with imports. Thus trade reform is most likely to occur when packaged with other, more popular programs (Haggard and Webb 1994).

Underneath the umbrella of broad interest groups, narrower, internal conflicts will abound, so we have to be wary generalizing about who comes out ahead from any given reform. For example, depending on the crop and its subsidies, trade liberalization makes some farmers worse off. Indeed, Toye (1992) argues that the opposition of certain agricultural elites is a principal impediment to reform in Africa. Likewise, urban workers in export-oriented industries stand to benefit from outward looking economic policies, whereas workers in sheltered industries stand to lose. Farmers and workers also are consumers, as well as producers, and may suffer more from price increases and service cutbacks than they get back from reform. Such crosscutting cleavages may paralyze groups from taking much action. Obviously, analyzing political interests case by case is necessary to learn the exact breakdown of winners versus losers.

Popular agitation in favor of market-oriented policies is unheard of, while protest against these policies is not. Why is there this lack of symmetry? A maxim of political economy is that gains have less political salience compared with losses. Someone's motivation to get involved in public affairs is affected by his or her perception of the risks and rewards of doing so. As rule, when a well-defined group faces the prospect of a new penalty or loss, the members have a strong incentive to fight the threat to their well-being. That is partly because actual losses are felt more acutely than possible gains.[8] Another factor is that people's ability to organize increases in inverse proportion to their numbers, so small groups have an advantage establishing themselves and taking action.

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[8].Machiavelli (1513: 55) offered the following diagnosis for this conservative human tendency: "[T]here is nothing more difficult to carry out, nor more doubtful of success . . . than to initiate a new order of things. For the reformer has enemies in all those who profit by the old order, and only lukewarm defenders in all those who would profit by the new order, this lukewarmness arising partly from fear of their adversaries, who have the laws in their favour; and partly from the incredulity of mankind, who do not truly believe in anything new until they have actually had experience of it."

By contrast, the potential winners of any policy (such as most export crop producers with trade liberalization) often lack capability to mobilize easily. Their numbers may be great, but great numbers are not necessarily an asset when it comes to people organizing themselves. As individuals, they are probably inclined to discount the benefit of a new or proposed change as too small, too uncertain, too distant to be worth fighting for¾a situation known formally as the free-rider problem (Olson 1965). This term refers to the collective inertia that results when too few members of a large group can cooperate, though combined action might help make all of them better off. Smaller groups (such as civil servants who are threatened with retrenchment) find it easier to act on their collective interests¾including taking advantage of the majority. For them, the fear of having a current benefit removed is usually going to be a powerful stimulant, compared with an opposing group's less compelling wish to secure an additional benefit for itself.

We have not mentioned an important set of interests the foreign assistance community. A standard complaint about SSA reform programs is that they are undertaken mainly to please the international development agencies. The donor community does have the power to set the agenda for policy reform. Still, that power is limited, as proven by the many policy reversals that unfold in actually carrying out the neoliberal agenda. We will return to the question of donor/recipient relations when we discuss political leadership.

Anomalies of Political Economy

While political economy theory is attractive for being parsimonious, the same trait makes it an incomplete explanation for public policy in SSA. Just because public policy represents the resolution of conflict among competing interests, that does not mean policy can be reduced to what the most entrenched groups will allow. The theory paints a strong picture of interest group veto power, and sees deadlock as the logical outcome of interest group rivalry. This is an overly deterministic and static view (Grindle 1991). It does not offer much explanation for why, against the odds, the logjam sometimes breaks and progress is made.

It is important to note, too, that interests are not given. People learn what they want. Another way to state this phenomenon is in terms of ideas and ideology. The neoliberal ideology has proven seductive, and not solely because of the drumbeat from the World Bank and IMF (Biersteker 1995). Many African policy advisors have been trained in modern economics, and believe deeply in the virtues of the private sector competition. There is a demonstration effect from the richer countries (even if none gives itself over fully to the market), made that much stronger by the abandonment of central planning in the former socialist bloc. The same is true of democracy and civil rights. These political ideals may have originated in the West, but they have proven powerfully attractive around the world. The shift toward markets and democracy in SSA thus probably reflects a genuinely new paradigm among many Third World elites.

The winner/loser explanation should not be pressed to its logical conclusion, either. Motivations other than short-term greed do affect policy making. People are not simply the guardians of what they think is best for their immediate material well-being. More cooperative, often self-sacrificing behavior takes place than the political economy model implies. As Bräutigam (1997) notes in discussing Mauritius, the agreement there to play by democratic rules cannot be understood purely as a function of groups trying to get ahead materially at others' expense. Accordingly, current thinking in development strategy tends to see interest groups in a more positive light, as essential components of civil society. Active, participatory organizations are widely believed necessary to undergird enlightened government policies.

Coalitions can emerge that seek a broader collective interest that overrides individual concerns. In Zimbabwe, for example, commercial farmers and urban business organizations have backed liberalization, though some members benefit from protectionism and are themselves not yet competitive on world markets (Skålnes 1993). A different illustration is Botswana, where the dominant class of cattle owners has protected its collective interests by pushing for open-market policies (Samatar and Oldfield 1995; Balefi 1996). The accidental byproduct was to expose much of the economy to competition.

Nelson (1989) observes that economic adjustment is usually built on a "fragile coalition" of political support. In a similar vein, Widner (1994) notes that successful adjustment often results from a "reform bargain." She is referring to political deals worked out among political leaders, technocratic civil servants, and members of private associations and economic interest groups, which produce "political space" to implement orthodox reforms despite opposition. The crafting of policy is a complex skill, of assembling and holding together an often fractious alliance. In the long run, though, the reforms must prove popular, at least with those who have political clout.

The possible emergence of pro-reform coalitions does not deny the rule that losing interest groups can create an impasse if they are geographically or occupationally concentrated, or self-identified in some way. When they dig in to block or stall policies that are to their disadvantage, the losers may push governments to back down on previously announced decisions. The most dramatic instances are what Geddes (1995) calls a "retrospective voting" model of interest group behavior groups contribute little while policy decisions are being made, but take to the streets later to force the abandonment of policies they do not like.

That anti-adjustment demonstrations happen is no surprise. What is surprising and needs explaining is that they do not happen more often. In their study, Walton and Seddon (1994) count only 17 "austerity protests" in SSA between 1976 and 1992. An austerity protest is a large-scale collective action animated by liberalization policies urged by international agencies.

Yet, during that time, African governments signed more than 100 structural adjustment loans with the World Bank or IMF (Kraaij 1994). Since the definition of an austerity protest is subjective, Walton and Seddon may have missed some important events. Still, the more significant forms of dissent to liberalization are probably subtle, taking place behind closed doors and involving elite groups that see themselves as losing from a more open economy.

Why the dearth of expressed mass complaint? In Africa, part of the reason may be that even rural residents have access to land, lowering the cost to use the exit option to express their discontent with policy, compared with the trouble of trying to exercise voice to get policy changed more to their liking.[9] The avenue of retreat to the informal sector is a safety valve for SSA regimes, and may help account for the mild political consequences of slow growth. The shadow economy, unfortunately, adds little to the state's base of revenue. Without adequate revenue, the state will be pressed to provide public goods and curb negative externalities. Given that kind of institutional environment to work in, producers in the informal sector cannot capitalize on economies of scale, scope, and specialization. So people have trouble to get ahead in the parallel economy, which may leave them too little time and too few resources to engage in effective political protest.

Political economy also is largely silent about government's positive, Type 2 functions. The state is not solely a mechanism by which the organized plunder the unorganized. There are public goods only the state can supply or that it supplies best. A more nuanced approach to understanding policy change will take into account the way state institutions shape and channel people's interests for the common good. We will look at this important topic in the next section, on the role of representation and democracy in Africa.

The State's Institutions

Generalizing about the several dozen African states must be done cautiously, but significant common features exist. This fact comes out clearly in a comparison with other regions. Most African states are young, with comparatively few years of formal independence. More

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[9].Marx (1969: 377-78) had another explanation for why farmers, who could benefit from forming lobbying groups, are sometimes not inclined to rally themselves for collective ends. He attributed it to the physical and social seclusion of the countryside: "The small-holding peasants form a vast mass, the members of which live in similar conditions but without entering into manifold relations with one another. Their mode of production isolates them from one another instead of bringing them into mutual intercourse. . . . [T]he identity of their interests begets no community, no national bond, and no political organisation among them, they do not form a class. They are consequently incapable of enforcing their class interest in their own name, whether through a parliament or a convention."

noteworthy than the official date of independence is the age of the current regime. This figure is admittedly subjective and difficult to ascertain, but one attempt is shown in Table 6. It suggests the average regime in SSA is about 27 years old, somewhat younger than regimes in Asia and the Pacific or the Middle East and North Africa, and somewhat older than those in Western Hemisphere developing countries. Youth is often a marker of illegitimacy in a state.

Another marker of illegitimacy is cultural diversity. African regimes must cope with more mixed societies than is the rule in the rest of the Third World (as shown by the higher average score on the ethnolinguistic diversity index.) The deeper and more fragmented ethnic fault lines in African countries probably make it harder to establish a state whose citizens perceive it as evenhanded. Some regimes, in Kenya for instance, try to inflame ethnic differences as a way to divide and rule (Africa Watch 1993).

The questionable legitimacy of African states is often thought to render them unstable. But is it so? From a comparative point of view, the evidence for instability is mixed. If we look at the average African chief executive's term in office, he has served more years than his Latin American or Asian counterparts (though fewer years than is typical in the Middle East). In fact, one problem in SSA has been the refusal of "dinosaur' rulers like Robert Mugabe or Daniel arap Moi to step aside. When stability equals immobility it is not necessarily a virtue for a political system.

Another indicator of illegitimacy/instability is an illegal challenge to the political leadership. How often do *coups d'état* and revolutions happen in the region? Any tally of such events is subject to error, due principally to underreporting in countries of less interest to foreign media. With that caveat in mind, Table 6 reports that coups and revolutions affected about one African country in three during the 1970s and 1980s. That is comparable to the rate of violent political events in Latin America, more than in Asia, and less than in the Middle East. The rate of war-related deaths, however, is far higher than in any other region.

TABLE 6

CHARACTERISTICS OF STATES
SSA versus other developing regions

	SSA	Latin America & Caribbean	No. Africa & Middle East	Asia &Pacific
Average age of regime (1992)	27 yrs	20 yrs	37 yrs	35 yrs
Years current executive in office (1996)	10 yrs	6 yrs	19 yrs	9 yrs
Ethnolinguistic diversity index (0-100) (higher is more diverse)	65	26	25	44
Coups and revolutions per country	0.31	0.31	0.55	0.24

(1970s and 1980s)				
War-related deaths (1945-92)/100,000 pop. (1995)	1.11	0.02	0.05	0.05

Note: Countries included vary for each measure. The figures are unweighted means for the regions. The **ethnolinguistic diversity index** measures the probability that two randomly selected persons from a given country will belong to the same cultural or language group.
Sources: Derbyshire and Derbyshire (1996), Gasiorowski (1996), Easterly and Levine (1996), Sivard (various years).

Efforts have been made to use the number of coups and other data to construct overall indexes of political instability. Three of them are reported in Table 7. The value of the indexes can be questioned, given the measurements on which they are based. For what they are worth, the indexes show SSA's political systems are no shakier necessarily than the norm in other broadly defined developing regions. To understand government failures in Africa, we thus need to look beyond political legitimacy and stability per se. Lack of legitimacy and stability are problems to be sure, but they afflict other parts of the world, too. Thus these institutional variables do not help much in explaining why Africa's economies have done the worst on average.

TABLE 7

INDICATORS OF POLITICAL INSTABILITY
SSA versus other developing regions

	SSA	Latin America & Caribbean	No. Africa & Middle East	Asia & Pacific
Political instability quotient (1948-82)	35.7	32.5	38.5	55.2
Sociopolitical instability index (1960-85)	4.39	5.54	-1.05	3.20
nocratic instability score (1948-82)	3.51	4.86	2.84	3.61

Note: Countries included vary for each measure. The figures are unweighted means for the regions. The **political instability quotient** is calculated from the number of political demonstrations, riots, political strikes, deaths from political violence, assassinations, armed attack events, political executions, coups (successful and unsuccessful) and the government profile. The **sociopolitical instability index** is based on the number of politically motivated assassinations, the number of people killed in domestic mass violence, the number of successful and unsuccessful coups, and a dummy variable for democracy. The **democratic instability score** is a measure of the magnitude and frequency of shifts from democratic to nondemocratic rule and back. The degree of democracy is defined in terms of participation, inclusiveness, competitiveness, and lack of coercion. In each of these indexes lower is more stable.

Sources: Gupta (1990), Arat (1991), Alesina and Perotti (1996).

Representation

Many observers argue that democratic states are ill-suited to the task of economic reform, on grounds that such regimes are not sufficiently insulated from special pleading and demands for relief. Lal (1985: 33) expresses this idea succinctly in the context of trade liberalization in developing countries: "A courageous, ruthless and perhaps undemocratic government is required to ride roughshod over these . . . interest groups." Elected regimes supposedly lack the same backbone, and are thought to be biased in favor of consumption and against investment. Bhagwati used to call this the "cruel dilemma" of a trade off between democracy and development¾a position he has since rethought (Bhagwati 1995).

The reason to take a more nuanced view of democracy's relation to economic reform is the spotty record of autocratic regimes. Whatever advantages political repression has in going the distance with tough policies (a questionable proposition in itself), there are offsetting efficiency losses. Market economies need freedom of information, which is more likely to be nourished under open regimes. Dictatorships have fewer checks on corrupt behavior and wasteful public spending.

A bare majority of countries in SSA can now be classified as emerging democracies. Authoritarian regimes have governed most of the region since shortly after independence, but the pattern is changing. Nineteen-eighty-nine was a watershed, as the collapse of the soviet system and internal agitation provoked a wave of democratization (Joseph 1997). According to the crude categories used by Freedom House, a nonprofit organization that monitors political and civil rights around the world, only 14 African countries were deemed "free" or "partly free" in 1980. Seventeen years later, 25 countries were put in these categories. (See Table 8.)

TABLE 8

POLITICAL REGIME TYPES IN SSA
Number of Countries

	1980	1997
"Free"	3	8
"Partly Free"	11	17
"Not Free"	32	23

Source: Freedom House (various years).

The donors made political reform a condition of aid, though with mixed results (Grosh and Orvis 1997). In many cases, African democratization is centralized and top-down, with little sign of a participatory grass-roots culture establishing itself outside the capital city. What civil society organizations exist are often the agents of urban factions (Wunsch and Olowu 1997). The regional political awakening is hesitant and fragile. African democracies are poorly institutionalized as a rule, following Huntington's (1968) idea that institutionalization can be measured by a political system's age and capacity to renew itself.

The key test of institutionalization is whether these democracies can carry out peaceful transfers of power through the ballot box. Few SSA countries have passed this test. We can count the number of elections where an incumbent lost, an opposition party won, or another significant change happened via competitive elections.[10] The results are reported in Table 9. From 1980 to 1995, only 15 such elections occurred in SSA, or an average of less than one for every three countries. By contrast, there were 55 significant electorally-based changes in power in Latin America and the Caribbean (1.5 per country). Even Asia and the Pacific have seen a higher incidence of democratic power transfers (0.5 per country). Only in the Middle East and North Africa are such elections less frequent than in Sub-Saharan Africa.

TABLE 9

Power Transfers Through Elections (1980-95)
SSA versus other developing regions

	SSA	Latin America & Caribbean	No. Africa & Middle East	Asia & Pacific
Rate per country	0.3	1.6	0.1	0.5

Note: Includes only elections where an incumbent was defeated, an opposition party won, or there was some other major change in office.

10.There is an element of subjectivity in this tally, of course. To illustrate the distinction with American examples, the 1988 election of President Bush would be excluded because he was the incumbent's hand-picked successor. Bush's defeat four years later by President Clinton would be considered a peaceful power transfer according to the definition used here.

Source: Freedom House (various years).

There is no reason to think that political pluralism necessarily clashes with market-oriented reforms, or that authoritarianism must make reforms easier. In fact, many rich democracies have undertaken far greater reform than SSA in recent years (OECD 1994). The pattern is similar in Latin America, where dictatorships are less likely to liberalize (Remmer 1990; Lindenberg and Devarjan 1993). On this score, the new African democracies do no worse than the regimes they replace (Sandbrook 1996).[11]

A simple effort to substantiate the liberalization/democratization link for Africa is presented in Table 10. SSA countries are placed in three categories developed by Sachs and Warner (1997): consensus reformers, consensus non-reformers, and ambiguous cases. Each group's average total score on the Political Freedom scale (the basis for Table 8) is computed. The trend is clear: reforming countries are politically more free than non-reformers, with the ambiguous cases falling in the middle. Correlation does not prove causation, and no one should conclude political freedom produces economic reform (or vice versa). Both might be caused by some third factor or factors, and they would certainly produce complex feedback effects. Suffice it to say the two phenomena, economic reform and democratization, are associated with one another, a finding that social theorists have known about since the Enlightenment.

TABLE 10

ECONOMIC REFORM AND DEMOCRACY IN SSA

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[11].This issue touches on the broader question of whether democratization encourages economic growth. The cross-national research is ambiguous. According to a pair of recent literature reviews, covering a total of 24 empirical studies (Sirowy and Inkeles 1990; Przeworski and Limongi 1993), six of the studies reviewed find that democracy has a positive effect on economic growth. Yet, four other studies find a negative relationship and four find a conditional relationship between democracy and growth. Ten studies fail to turn up any significant relationship. Brunetti and Weder (1995) think this is because the variable democracy does not capture the factors that alarm or reassure investors. Leblang (1997) suggests, however, that the inconsistent results are due to different research designs and that democracy does have a positive effect on growth. Przeworski and Limongi (1997: 179) conclude: "Poor countries can develop under democracy and democracy can flourish in poor countries if they develop."

	Political Freedom Scale 1997
Consensus non-reformers	10.4
Ambiguous cases	8.1
Consensus reformers	7.6

Note**: Consensus reformers** are Botswana, The Gambia, Ghana, Guinea, Guinea-Bissau, Mauritius, Uganda. **Ambiguous cases** are Benin, Cameroon, Kenya, Madagascar, Malawi, Mali, Mauritania, Nigeria, South Africa, Zambia. **Consensus non-reformers** are Burkina Faso, Burundi, Central African Republic, Chad, Congo, Ethiopia, Gabon, Côte d'Ivoire, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Zaire, Zimbabwe. The **political freedom index** is based on two sets of characteristics grouped under political rights (to participate freely in the political process) and civil rights (to develop views and institutions apart from the state). Countries can rank from 1 to 14, with lower numbers representing greater freedom.

Sources: Sachs and Warner (1997); Freedom House (1996).

Democratization and economic reform are not always compatible, but the incompatibility that exists does not mean repression of democracy produces liberalization. Witness the Gambia, which was one of the longest-standing democracies in SSA before being overthrown in 1994. The military junta has done little to adjust since. The two other established multiparty systems¾Botswana and Mauritius¾have done well in continuously adjusting to changing economic conditions, without the crises experienced elsewhere in the region (Healey and Robinson 1992).

One reason democratization is sometimes an advantage for reforming countries, is that it eases the constructing of support networks among pro-reform groups. Some recent research on this topic finds that participation is a key issue for long-term reforms (Brinkerhoff with Kulibaba 1996). As power is shared, people may help design new government ventures and make them fit local needs and capabilities. Agreements among elites, made behind closed doors with little consultation and publicity, are less likely to stick. This is not an absolute: some policies ought not be discussed in public beforehand. Devaluation is an illustration. To avoid disrupting financial markets, it is better planned in secret and launched swiftly. Still, for many other types of reform, broader participation is preferred because it keeps governments from clinging to policies that help only their narrow support groups. Participation also is helpful because it gives authorities opportunities to build constituencies for reform by designing programs that give consideration to a range of interests and concerns. To date, however, opposition groups in SSA often have been fragmented and caught up in internal squabbles, unable to coalesce into broad-based coalitions. A clear example is Kenya, where President Moi has in two elections been able to win a plurality of votes due to the lack of cohesion among his rivals.

For economic reform to succeed, involvement must come from business and agricultural groups that stand to gain from a smaller government and less regulation. Other interests, including labor unions, had better be engaged, too. SSA has a long way to go in incorporating the business point of view in regulatory and legal decisions. According to a recent worldwide survey of the private sector, sponsored by the World Bank, African business leaders do not feel they have much voice in public policy (Brunetti, Kisunko and Weder 1997). Their perception of powerlessness is more acute than in other developing areas (except for the former soviet bloc, where managers claim they have even less input to government decisions). The African business leaders also complain they are not kept well-informed about new rules and regulations, and that they regularly worry about retroactive changes. Whether they would indeed solicit progressive policies is still an open question, but we will not know the answer until more avenues for business/government consultation are established in SSA.

In the oligarchical context of most of these countries, private sector organizations are often closely linked to high-ranking officials (and benefit from the set-up of current policies). Yet, some breaks in the pattern are visible. Enterprise networks in West Africa are beginning to play an independent role of espousing economic reforms. In Ghana, Mali, and Senegal, national networks have emerged as the mouthpieces for younger business leaders, who have felt stifled by the established business associations, such as chambers of commerce. In Uganda, the Uganda Manufacturers Association has served as an advocate of policy change, though under the aegis of the President's Economic Council (Scribner and Crosby 1997).

Effective participation in policy reform usually occurs inside an established process of public decision making. Ad hoc deliberations are less promising. In Nigeria, for example, the military government went to lengths in 1986 to air opinion and bolster support for an adjustment program that was "made in Nigeria for Nigerians," prominently refusing a loan from the IMF. But afterward, no ongoing mechanisms existed to debate particular measures. Interest groups could only react to decisions after the fact (Herbst and Olukoshi 1994: 479). Some initial steps in Nigeria got off to a good start. Producer marketing boards were abolished, for example, and agricultural production soared. However, significant retrospective voting took place, especially among students, culminating in bloody, nationwide rioting in 1989. The government sought to blunt these protests through a special relief package to the universities (Albert 1995). By 1994, many market-based policies had been reversed, with controls being reimposed on foreign exchange, interest rates, and credit. The political wavering did not help the economic situation in Nigeria.

Bureaucratic Capacity

Checking with people before making decisions is useful, but someone still has to act on the decisions that finally are made This is primarily the job of the civil service, the non-elected officials responsible for carrying out policy.[12] Africa's bureaucratic capacity is ineffectual. The administrative state does some things political leaders do not want, and fails to do other things leadersdo want. This type of maladministration is at the heart of the Type 2 problems of government discussed earlier.

Myrdal (1968: 66) coined the phrase "soft state' to describe political systems that are prone to defer controversial policy decisions, and, more importantly for our purposes, to waive decisions they do take. When states are soft, citizens learn to ignore government edicts, which leaders themselves stop taking seriously. No one can count on the governing apparatus doing what it promises to do, which lowers expectations and feeds back on the demands people make of the state in the first place. A gulf opens between the intent of policy and the results. When states are soft, many things happen by chance.

African states may not look soft on the surface. They usually have a centralized, hierarchical structure inherited from the colonial power. Focused on tax collecting and the maintenance of order, colonialism left SSA public administration systems with a legacy of legalistic and unresponsive practices (Mutahaba, Baguma and Halfani 1993). There is little room left for the sharing of responsibility with voluntary organizations or with lower levels of administration. People at the top of the organization pyramid often have too much to do, while those at the bottom have too little responsibility. No one has time to carry out routine functions, let alone think strategically (Kiggundu 1989). Simultaneously, as discussed earlier, the civil service serves as an informal network of alliances based on personal, family, and ethnic loyalties.[13]

[12].An analytic distinction is being made here between decision-making and implementation, a breakdown that does not exists in the real world, as public administration specialists have long noted. For one thing, civil servants often need to interpret vague statutes, and thus have considerable decision-making authority. For another, they often make their decisions in direct consultation with client groups. Recognizing that the categories are not airtight, separating implementation from decision-making provides a useful framework for thinking about the failings of the bureaucracy in SSA.

[13].Why Africa states look this way is an interesting question. Moore (forthcoming) suggests the reason has to do with their source of income. These are rentier states, dependent now on foreign aid, that have never had to put much organizational effort into raising revenue. Nor have they had to establish effective reciprocity with citizens,

These are “lame leviathans” that cannot impose their will on society (Callaghy 1987). Consider the example of the security forces. No unit of government is more important to autocratic governments, but how many in Africa rein in their armies or police effectively? Lack of oversight is at least as evident among civilian agencies. Officials routinely ignore directives or collude with those they are supposed to regulate. Budget offices do not manage the budget (Sekwart 1997); central banks do not control the money supply (Fielding 1996); auditors general examine accounts years after the fact; tax departments fail to collect taxes (Bleaney, Gemmel and Greenaway 1995). Faced with such pliant and yielding public agencies, ordinary people are apt to practice forms of active and passive resistance, refusing to pay taxes, smuggling, squatting on public land, and so forth. Even some African states once regarded as more proficient at taking dependable, concerted action, like Côte d’Ivoire used to be (Crook 1989), have languished in the recent economic crises. Is it any wonder that ambitious reforms often go nowhere?

The political economy view provides a powerful critique of public bureaucracies. Civil servants are an interest group (really a set of diverse groups) in their own right. It is a myth that someone ever fully controls the state administrative “machine” from above. Employees who are striving to fulfill personal and group ambitions can drive outcomes, no matter what their supervisors or external clients want. Participants in the process will try to elude or defeat their opponents, frustrating leaders’ intentions. Many bureaucrats are absorbed with protecting their own turf. They have a conservative tendency to resist change, for change threatens established hierarchies and usually means more work to learn new tasks. No wonder new policies seldom work out as planned.

An alternative explanation for inferior implementation is possible, which gives less credit to self-aggrandizing, materialistic motivations of civil servants. This view stresses information constraints and transaction costs. In large organizations, such as a public bureaucracy, the failure to implement may be no one’s conscious ill will, just the mistakes and misunderstandings of subordinates in the organization chain of command. Despite apparent agreement about goals, the organization may be incapable to carry out policy with precision (Pressman and Wildavsky 1979). African bureaucracies are particularly undisciplined, and the level of technical ability is low. This explanation of bureaucratic mismanagement does not exclude the political economy explanation, and both may apply in SSA.

Consider civil service reform (Cohen 1993). Typical measures in SSA call for reducing the size of the bureaucracy and reorganizing it so it can operate more efficiently, while raising pay to attract and retain good people. This sounds sensible, but getting salaries up to sufficient levels

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providing real services in exchange for taxes. The result is a lack of accountability and responsiveness.

means finding funds elsewhere, a difficult job even in a rich country. Widespread layoffs may be feared as politically suicidal because public jobs are needed to reward political allies, meaning reductions in force are an unlikely source of savings. Pay stays low, driving many civil servants to moonlight in the informal sector, and making it hard for them to put their best effort into government work. The poor pay also is an invitation to petty graft and embezzlement. Training programs may help some, but they also increase the marketability of public officials in the private sector, where compensation is more attractive. No wonder SSA civil services often prove unyielding to administrative reform (Lindauer and Nunberg 1994). Instead of doing more with less, as hoped, the civil services usually simply do less.

State softness raises the question of how far the bureaucracy is insulated from civil society. There is a school of thought that holds the administrative malaise in SSA to be due partly to interest groups (especially clans and similar ascriptive groupings) having permeated the state. Officials are too accountable. Agencies are "captured" and lose the capacity for free action. Needed is a more independent set of government organizations, dedicated to the public interest. Botswana is sometimes cited as an example of a country guided successfully by an autonomous bureaucracy (Holm 1996). This is in essence a supply-side model of public administration. It stresses the need for technicians and experts to act evenhandedly and rise above external pressures. Rather than be controlled by some ethnic faction, or be immobilized by competing outer demands, the bureaucrats supply services they know are needed for the greater good.

Another opinion takes roughly the opposite stand: Officials in Africa are not accountable enough. SSA bureaucracies are rendered ineffective by being too isolated from the needs of civil society. They continue in the colonial mode, giving orders to peasants and sticking to predetermined rules (Mukandala 1992). Inadequately challenged to do things people want, public functionaries drift into corruption, wastefulness, and inaction. The civil service has to be reoriented to become socially responsive or else be bypassed by unofficial organizations that will do the job themselves. This is a demand-oriented model of public administration. It advocates bottom-up and flexible decision-making, which hopefully will make more realistic plans that can be carried out.

The debate can slide into an esoteric analysis of the relative autonomy of the state, or else into a populist critique of bureaucracy's inevitable missteps. The uninitiated may have trouble making sense of this discussion, which is unfortunate, for the truth probably lies somewhere between the polar versions of the argument sketched out here. Supply and demand are both important in public administration. On the one hand, bureaucracies must be orderly and well-structured, following set procedures. They cannot be hypersensitive to threats and entreaties from their clients and other special interests. Otherwise they will either play favorites or else fail to get anything done at all. Yet, bureaucracies cannot be sealed off from their client groups, either, because they need those groups for information and compliance. A classic example is the agricultural service, which when it works right, matches a supply of technical expertise to the demand of knowledgeable farmers (Goldsmith 1993).

It is a fact that many reformers have wanted to isolate themselves from clients and from the ordinary bureaucracy. President Roosevelt, for example, used a so-called Kitchen cabinet to help launch the American New Deal, purposely going around the normal chain of command. Similarly, the chief executives in adjusting developing countries often surround themselves with a new agency or cloistered group of technocrats. Having a coherent team of experts does seem significant to get a program of economic reform going (Haggard and Williamson 1996). In the long-run, however, reforms have staying power only if they develop external bases of support. That usually means getting the regular bureaucracy involved, too. It is worth remembering that the successful New Deal programs in the United States lasted because of “iron triangles” of support from client groups and civil servants. The resulting policies sometimes lived on long after their useful life, so strong were these triangles of support.

Because of the technical and managerial weakness of many SSA administrations, a strong case can be made that policy reforms, especially those aimed at improving institutions, should be modest in scope and speed of implementation. This argument runs counter to some literature on reform, which finds greater success with “shock therapy” or a “big bang” (Haggard and Webb 1994). Shock therapy is based on the sensible idea that gradualism gets nibbled away. Rapid change gives losing groups less time to mobilize for resistance. It also has enough impact to be noticed, and thus to change the way state bureaucrats and private sector economic actors behave. The probability of reforms being reversed is supposed to be minimized, due to the creation of a self-reinforcing aura of credibility.

The argument for shock therapy is persuasive in the abstract, but irrelevant if the government cannot carry it out. In Ghana, for example, rapid privatization had to be put on hold because bookkeeping was so poor no one could objectively establish the current market value of state owned enterprises being put on the block. There also is a risk that shock therapy will undermine the very institutions it is trying to remold. This is one lesson of the Russian experience (Orenstein 1998). Trying to do everything at once is a recipe for confusion and protection of the status quo. Nothing is accomplished, and success is never shown. Instead of increasing the government’s credibility, an overly ambitious reforms is likely to be greeted with disbelief. When such programs fail, no one is surprised, making it even easier for the government to reverse direction the next time. Mismanagement begets more mismanagement.[14]

The case for incremental reform is based on the idea that success sells, and that modest success is the most probable. Likely as not, most African bureaucracies would be better served by taking on doable problems first, gaining experience and confidence. An alternative is to tackle a few high-profile and strategically important reforms, especially those that produce the greatest net benefit compared to their cost. Organizations evolve gradually, and demonstrated success can build support for doing things differently. Incrementalism also fits with the case for democratization, made in the previous section. It allows policy-makers to start with policies that help larger groups of potential supporters, before moving on later to policies that may hurt those groups. Compared to shock therapy, therefore, this slower process is the one more likely to give the markets a sense that reforms are irrevocable.

In this light, we can see a problem with structural adjustment loans. The typical program, with 100 or more conditions, is too complicated for most SSA countries to sustain. The national bureaucracy is bound to be overloaded. Because they are apt to be written vaguely, the conditions are seldom the strong negotiating tools they are intended to be. Instead, they often give client government agencies room to maneuver and stall. A self-fulfilling prophecy can result: no one believes announced measures are going to be carried out, everyone acts on that belief, and the adjustment program does not meet its targets.

The Role of Leadership

The political economy approach takes a jaundiced view of rulers, assuming hypocrisy and cynicism on their part. International donors decide *a priori* what their Third World clients should do. National leaders say what they must to get the foreign funds; they are indifferent or hostile to living up to their commitments if it means disrupting the way things get done in their country. The donors sometimes collude in this charade, not wishing to use their leverage to the full extent. That would destabilize an incumbent and his retinue, and so jeopardize the chance to continue making new loans.

However, such a negative view of African leadership is not always justified. The more successful economic reformers often have visionary characteristics (Haggard and Williamson 1996). Taking on unpopular causes and educating society about them is what such leaders do. This is one

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[14]. An exception may be trade liberalization, which a World Bank study finds is more sustainable if introduced rapidly and fully, rather than partially and hesitantly (Papageorgiou, Michaely, and Choksi 1991). It did not include any African cases, however, so the observations may not apply. A systematic review of the arguments for and against shock therapy is Roland (1994).

reason losers' reactive influence on public policy is not as strong or effective as might be deduced from political economy theory. Effective leaders sometimes do go against the wishes of important constituencies. They sometimes do work for the betterment of large sectors of society. Such actions may be rarer than hoped, but they do happen.

Decisive leadership can overcome opposition, especially in soft states (Dunham and Kelegama 1997). In the past, most African heads of state have believed neither that adjustment will help the economy much, nor that it would assure their political survival. This was clearly the case in Nyerere's Tanzania. Economic reform made no sense on ideological grounds to the Tanzanian administration, and they chose to play a long-running political game with the donors (Hyden and Karlstrom 1993). Nevertheless, the situation may be changing, as in Afwerki's Eritrea or Museveni's Uganda. There the paramount leaders have made a different calculation, come out in favor of liberalization, and backed it up with more than talk (even if the actions still come up short.)

Often a "honeymoon" phenomenon is observed in emerging democracies and in other political systems going through major change. The new leader has a period when an unusual amount of reform is possible, especially if that leader sits on a solid political base, and faces a weak and divided opposition. At some point, however, the honeymoon ends, and any reforms that have been launched need to start to work. Unfortunately for adjustment programs, the compression of demand is felt immediately, trailed by the positive response (if it comes at all) of rising productivity and income. Even New Zealand, a country far better endowed than any in Africa, endured seven years of stagnation and recession until its restructuring effort finally began to show results (Kelsey 1995). When the "window of opportunity" closes, more people better think they have been helped than hurt by economic reforms. Otherwise, caution may drive the government to change direction as the best way to maintain its political support.

Senegal illustrates the pattern. In 1980, a technocratic president, Abdou Diouf, took power promising to curb government and introduce price reform. He named a former IMF administrator as finance minister to spearhead the reform program. Economic performance was good at first. Yet, when the economy turned downward in the late 1980s, the government did an about-face on reform, which it now saw as posing more political risks than gains (Ka and van de Walle 1994).

With the World Bank and IMF driving many reform programs, the issue of policy ownership comes up. The term concerns the motivation and attitude of developing country leaders, and whether they have "bought into" a policy (Jayarajah and Branson 1995). Reforms internalized by the national leadership obviously are going to be less subject to later rollbacks. As an explanation for sustained reform, though, the idea of ownership is near tautological, like political will, criticized earlier. It is observable in action: policy makers show their sense of possession by carrying out reforms, and by carrying out reforms they show that they feel the reforms belong to them. Policy ownership begs the underlying issue of what factors shape a leaders' mind in the first place¾factors such as class background, education, professional experience, and the idiosyncrasies of the human personality.

The best guarantee of a policy "buy in" is the leadership's political base, and what those supporters want. No elite can get out of line with its backers and stay in power for long. One problem in SSA, as we discussed earlier, is that many regimes are accountable only to a small retinue, whose members are rewarded through an elaborate spoils system. Broadening the scope of participation to include farmers, consumers, and other interests is thus probably the surest way to assure that African leaders do not "sell out" economic reforms to protect their cronies.

Political Corruption

One area where leadership seems to have particular influence is political corruption. The abuse of public power for private ends, political corruption takes three basic forms: embezzlement or the theft of state funds, bribery or the demand for political payments in exchange for a favorable decision, and nepotism or the placement of family members or other supporters into key positions. Corruption is endemic in political systems, and frequently reaches obscene proportions in Africa (Gould and Mukendi 1989, Ayittey 1992). Public outrage over corruption is growing more common and is an important factor in the democratization trend noted above (Harsch 1993).

High-level officials are often to blame for the example they set. Mobutu's Zaire is the archetype. The late dictator erased the line between public and private property. Official presidential appropriations equaled up to half the annual government budget for capital investment. These and other public funds were diverted to Mobutu's patronage network, while he accumulated a personal fortune of perhaps $4 billion (Burns and Huband 1997). Zaire was bankrupted. Who can be surprised if average citizens in Africa resist government austerity, knowing "the wingless vultures in Mercedes" (Green 1989: 36) will not share the hardship.

On a less spectacular level, minor functionaries in SSA regularly abuse their positions for private gain, demanding "speed money" just to do their jobs or accepting small gratuities to overlook infringements of the rules. In a recent World Bank survey, African business people said they made such "irregular payments" frequently. The problem is reportedly less severe in most other developing regions, excepting the post-communist transition areas (Brunetti, Kisunko, and Weder 1997). Such payments may not be significant in each incidence, but the total effect is to throw sand in the wheels of commerce and impair the economy's ability to function efficiently. Private capital will likely flee such conditions, not to return until well after they are alleviated.

Reducing petty corruption is possible, but we can expect little progress when higher-level officials are engaged in much more spectacular forms of theft (Kauffman 1997). The international community is beginning to become more concerned with this issue. At the World Bank, more audits of loans and stricter procurement procedures are being initiated. The International Monetary Fund (1997b) has a new proactive policy to withdraw support from countries where fraudulent activities have significant macroeconomic implications. But a local commitment to clean up the political system is the key to reassuring the investment community. One important consideration in credible leadership for economic liberalization is thus the projection of an image of honesty and simple living, setting the tone for greater probity throughout the government. Museveni in Uganda has been cited as an example of a leader whose behavior encourages a lowering of corruption (Ruzindana 1997), thereby raising business confidence.

Conclusions

The way around implementation problems in SSA economic reforms is far from clear. While more private investment and greater competition have proven useful approaches to the generation of income and wealth around the world, these things do not happen absent a market-enhancing institutional environment. As many international benchmarks reported in this paper show, the average SSA country has a weak base of public institutions. Leaders are often rapacious, bureaucracies badly managed, and neither are deeply beholden to the electorate's demand for a better life. Such states are not likely to undertake serious efforts to carry out new policies, though we can point to some progress.

Unfortunately, SSA governments continue to make too many Type 1 errors of commission by getting overly involved in the wrong areas of economic life. More seriously perhaps, they persist with Type 2 errors of omission and do not lay down the legal and administrative groundwork for efficient markets. These errors extend to the so-called social area. In all historical cases of capitalist development, governments have taken the sting out of the economic contest, using their power to equalize market outcomes and help provide for necessities. By contributing to support individuals whom the market no longer wants or by assisting them to get marketable skills or resources so they can compete, states can help pacify opponents of economic liberalization. These investments in human capital also are a platform for sustained economic growth and development. Until such problems are dealt with better, African public support for more openness and competition is not likely to be reliable.

The theory of political economy explains many of these government failures. But it is one-dimensional and too pessimistic. Novel institutional arrangements that give ordinary people and civil society organizations more say in policy decisions offer the best hope for breaking the trap of bad government in Africa. So does the arrival of new, more honest leaders, who can spearhead institutional innovations. The good news is that there are at least a few such leaders in the region, and there is the glimmering of a democratic awakening. The bad news is that institutions evolve slowly, and the odds are always stacked against changes in the status quo. Disservicable institutions can have deep roots and may take exclusive possession of some public functions. Until SSA institutions are stronger and more capable, market liberalization is not likely to live up to its theoretical promise.

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